

Message Text

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21

ACTION ARA-10

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E.O. 11652: N/A

TAGS: EGEN, EFIN, AR

SUBJECT: GOMEZ MORALES ON ECONOMIC ISSUES

REF BA 1038

DURING LAST SEVERAL WEEKS, ECONOMY MINISTER GOMEZ MORALES, IN
COURSE PRESS CONFERENCES, HAS OFFERED SEVERAL INTERESTING COMMENTS
ON ECONOMIC DEVELOPMENTS AND POLICY. HIGHLIGHTS AS REPORTED IN
PRESS AS FOLLOWS:

FOREIGN INVESTMENT LAW - REGULATION OF FOREIGN INVESTMENT IS
DEFICIENT AND SOME MODIFICATIONS UNDER STUDY. THIS DOESN'T
NECESSARILY MEAN LAW ITSELF REQUIRES REFORM.

INFLATION - IT IS ONE INEVITABLE CONSEQUENCE OF PRICE FLEXIBILITY
POLICY WHICH NECESSARY BECAUSE RIGID CONTROLS HURT CAPITAL
FORMATION AND CONTRIBUTED TO SHORTAGES.

PRICE FLEXIBILITY - POLICY HAS LIMITS WHICH RAPIDLY APPROACHING.
ONCE ACHIEVED, VIGILANCE REQUIRED TO ENSURE DISHONEST BUSINESSMEN
DO NOT EXCEED MARGINS.

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PROFITABILITY - ATTRACTIVE LEVELS ARE NEEDED TO STIMULATE

PRODUCTION AND INVESTMENT. PROBLEMS IN THIS AREA HAVE BEEN
OVERCOME IN MOST CASES.

SHORTAGES - SITUATION IMPROVED OF LATE. CONTRABAND AND
SPECULATION ARE KEY FACTORS IN PROBLEMS STILL REMAINING.

INVESTMENT - ECONOMY OPERATING AT NEAR CAPACITY. INSTALLED
PLANT CAPACITY REQUIRES EXPANSION.

COMMENT. GOMEZ MORALES CONTINUES TO EMPHASIZE NEED FOR INVESTMENT
EXPANSION. HIS COMMENTS ON PROFITS AND PRICE FLEXIBILITY
ARE MORE CAUTIOUS THAN PREVIOUSLY, PROBABLY AS RESULT RECENT
INFLATIONARY OUTBREAK AND STRONG CGT CONCERN.
HILL

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